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CHARLES ELMORE CR

Supreme Court of the United States.

OCTOBER TERM, 1949.

No. 170.

PARK-IN THEATRES, INC., *Petitioner*,

v.

LOEW'S DRIVE-IN THEATRES, INC., *Respondent*.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR REHEARING OF DENIAL OF PETITION FOR WRIT OF CERTIORARI.

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Preliminary Statement.

The Court of Appeals for the First Circuit held the Hollingshead patent in suit invalid for absence of invention on April 26, 1949.

The petition for writ of certiorari was filed July 6, 1949, and denied on October 10, 1949.

The petition sought review for alleged conflict of decisions and alleged errors of the Court of Appeals. Respondent showed that there was no conflict,* that this is merely an ordinary patent case presenting the common

*If the emphasis in the present petition for rehearing on the alleged confusion between the decisions of the First and Ninth Circuits (see Petition for Rehearing, pp. 3 and 9; App. pp. 3a and 8a) is designed to imply a conflict, we would refer the Court to our brief in opposition to the original petition (p. 9), which shows that there is no conflict whatever.

question of fact in patent cases, namely, whether, under all the circumstances, what the patentee did amounted to invention, and that the Court of Appeals had found absence of invention on the basis of time-honored principles and considerations.

The Hollingshead patent expires on May 16, 1950.

The Grounds for the Present Petition.

In the petition for rehearing none of the grounds of the original petition are relied upon. Nor, as we will show, have any events intervened since the filing of the original petition that supply any basis for allowance.

The grounds for the present petition (see Petition, p. 2) are (1) importance of the Hollingshead patent to the drive-in theater industry, (2) avoidance of further litigation, (3) alleged confusion from the decisions in the First and Ninth Circuits, (4) desire that the present case shall be a test case, and (5) alleged misuse of this Court's denial of the original petition for writ of certiorari.

Grounds 1, 2 and 4 Present No Basis for Allowance.

A general industry interest in a patent and avoidance of further litigation offer no basis for certiorari (infra). In most patent cases the patent has importance to members of an industry beyond the interest of the parties to the suit, and in many if not most cases further litigation* will be avoided if this Court will only accept the first case on certiorari. We know of no precedent for allowing certiorari in a non-conflict case, merely on alleged importance of the

*In the present case the further litigation threatened is that of the petitioner to try for diversity of opinion in another circuit. There is no adjudication of validity to give concern to the industry.

patent and avoidance of further litigation, in the absence of special circumstances of a character not present in the usual patent case and not present in the present case, which is of a most usual character.

We summarize the facts and allegations relied on by petitioner, *infra*, p. 6.

THE THIRD GROUND PRESENTS NO BASIS FOR ALLOWANCE.

This ground for allowance is based on the parallel statements of affiants Meek and Edmonson (Appendix, pp. 3a and 8a) that there is "confusion and uncertainty" by reason of the decisions of the First and Ninth Circuits (see footnote, *supra*, p. 1). It is not the function of certiorari to have the Supreme Court correct any lay misunderstanding as to decisions of the courts, and any such lay misunderstanding is not a substitute for an actual conflict of decisions as a basis for certiorari.

GROUND NO. 5—ALLEGED "MISUSE" OF THIS COURT'S DENIAL OF THE ORIGINAL PETITION.

Petitioner (Petition, pp. 3, 4) asserts "misuse" of the denial of the original petition and contends that there is precedent for allowance on the authority of the statement in Robertson & Kirkham's "Jurisdiction of the Supreme Court of the United States," Section 324, note 72. Robertson & Kirkham there state that "the validity of a patent has been adjudicated on rehearing in the absence of a conflict of decisions *where respondent misused** the prior decree of the Supreme Court dealing only with the issues of contributory infringement.[72]" The authority of note 72 is *Carbice Corp.* v. *American Patents Development*

*All emphasis ours except where otherwise noted.

Corp., 283 U.S. 420 (relied on by Petitioner, p. 5). On the original hearing (283 U.S. 27) this Court dismissed because of patent misuse and did not pass on validity. *The patent owner misused* this action of the Court by intimidating customers (see 283 U.S. 420) and respondent petitioned this Court to rehear the case and pass on validity. The petition was granted and the patent held invalid.

In the present case misuse by respondent is not charged and there has been no misuse by others. One or two writers in trade publications have fallen into the common lay error of thinking that denial of certiorari is an affirmance of the decision below. Any such misunderstanding is not misuse and is no basis for rehearing, and the petition finds no support in the "authority" relied upon.

No Events have Intervened since the Filing of the Original Petition to Now Call for Allowance.

The petition (p. 4) cites Robertson & Kirkham (Section 287, note 29, and Section 288, note 70) for the proposition that certiorari will be granted in a non-conflict case where "intervening events have imported into the case an element of importance not exhibited in the original Petition." The implication is that there are such intervening events of importance in the present case. The only event occurring since the filing of the original petition on which petitioner relies is the misunderstanding by some trade papers of the significance of the certiorari denial, to which we have just referred. The statement of Robertson & Kirkham (Section 287, note 29, and Section 288, note 70), above quoted, cites the *Tri-Ergon* patent cases* as precedents for the proposition as to "intervening events." The cir-

**Paramount Publix Corp.* v. *American Tri-Ergon Corp.*, 293 U.S. 528, and *Altoona Publix Theatres, Inc.*, v. *American Tri-Ergon Corp.*, 293 U.S. 528.

cumstances of one of these companion cases are correctly stated in note 71 of Section 324 of Robertson & Kirkham (p. 666) and are briefly as follows: This case involved an important patent in the sound movie projector art. The patent was sustained by the Court of Appeals for the Second Circuit. Petition for certiorari urging clear error and the exceptional importance of the patent to the motion picture industry was denied. Thereafter a petition for rehearing was filed which showed that, since the denial of certiorari by this Court, suits for infringement of the patent had been brought in the Second Circuit by respondent against eighteen companies, which comprised practically all the large producers of motion pictures in the United States, substantially the entire industry, and it was urged that this plain indication on the part of the patent owner to confine litigation on the patent to the Second Circuit, where decrees binding all the large producers in their activities throughout the country could be obtained, revealed the impossibility of a conflict from further litigation. The petitioner urged that under these circumstances the Court should satisfy itself of the soundness of the decision below. The petition for rehearing and certiorari was granted (293 U.S. 528) and the patent held invalid.*

In the present case the patent has been held invalid and some twelve suits on the patent already are at issue in at least five different circuits outside the First Circuit (Ex. 45 of Petitioner's Appendix).

The important circumstances of the *Tri-Ergon* case are completely absent in the present case, which presents no

*Also in the following cases, where the patents had been held valid and infringed, this Court relaxed the general rule as to non-conflict cases because industry concentration in the particular circuit made it improbable that a conflict could arise. *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 305 U.S. 47, 50; *Exhibit Supply Co.* v. *Ace Patents Corp.*, 315 U.S. 126, 128; *Muncie Gear Works, Inc.*, v. *Outboard Marine & Mfg. Co.*, 315 U.S. 759, 765.

circumstances of any unusual character. In the present case there has not even been an adjudication of validity to bedevil an industry or any part of an industry.

We will now briefly summarize the facts and allegations on which petitioner relies as presenting special and important reasons for allowance.

No Special or Unusual Circumstances in the Present Case.

The facts and circumstances relied upon by petitioner are of a usual character in patent cases, and all were known to petitioner prior to filing the original petition, except the unimportant fact of some lay misunderstanding of the effect of the denial of the original petition.

Petitioner must rely upon alleged importance of the patent and avoidance of further litigation, which are not grounds for certiorari in a non-conflict case (*infra*).

The drive-in theater—a plot of ground or field into which customers may drive their cars and, without alighting, view a movie—is having considerable vogue. The origin of this unpatentable idea, as appears from the record in this case, is stated in our brief in opposition to the original petition (p. 4 *et seq.*).*

The idea of such a theater as a business venture had some publicity at its inception.

The owners of the Hollingshead patent have operated, not by retaining or attempting to retain exclusivity, but by granting licenses on established royalty basis (Appendix, pp. 15a-16a; but the reason Smith gives has no basis in the

*The self-serving affidavit of Smith (App. p. 12a) is a veiled and very misleading argument for validity, and contains assertions which not only have no basis in the record, but which are contrary to the record in the present case, particularly as to the development of the drive-in theater.

record). The idea had a slow growth before the war. The record shows that there was no difficulty in laying out a field with cars pointing toward the screen, but there was a serious problem of sound distribution under these new conditions which awaited solution, and which was finally solved by R.C.A. (see our previous brief, footnote, p. 13).

About 100 theaters had been built when the war came (Petition, p. 5). Building ceased during the war, and until 1946 (Petition, p. 6; Appendix, p. 19a). Smith estimates that since 1946 about 1000 such theaters have been built in the United States (Appendix, p. 19a). We have no way of checking the accuracy of the highly colored Smith affidavit in this or in other respects.

At the time of the decision of the Court of Appeals for the First Circuit, petitioner had 120 licensees (Appendix, p. 18a). Therefore, the bulk of the industry has not acknowledged the Hollingshead patent, and the petition (p. 5) is in error in stating otherwise. The Court of Appeals for the First Circuit has found that the bulk of the industry had good reason for declining to pay tribute to this patent.

In some areas associations have been formed to present a common front to any efforts to enforce the patent against members.

The petition states (p. 7) that unlicensed users are placing contingent royalties in escrow or in contingent reserves.

Some twenty-three other cases have been filed against alleged infringers, scattered throughout practically all of the circuits of the country. Three of these cases have been settled and thirteen are at issue (Appendix, Ex. 45).* In

*There was a serious question of infringement involved in the present case, which the appellate court did not find reason to pass upon. To what extent various issues of infringement are involved in the other cases, we have no way of knowing.

the case against Gordon P. Allen, in California, trial date was set and continued to November 7, 1949, to await the final disposition of the present case (Appendix, Ex. 45, p. 2).

The decision of the appellate court in the present case naturally created a great deal of interest throughout the industry, which is not surprising in view of the character and claimed scope of this patent. Trade papers announced the decision with the varying degree of accuracy attendant upon most reporting of legal decisions.

Also, immediately when the decision came down in April, 1949, many if not most of the licensees stopped payment of royalties (Appendix, p. 18a), and thereafter placed contingent royalties in escrow or in contingent reserves (Petition, p. 7).

Similarly, non-licensed owners are placing contingent royalties in escrow or contingent reserves (Petition, p. 7).

We have already referred to the occasional misrepresentation of the effect of denial of certiorari by this Court, and to the fact that, except for this circumstance, there has been no intervening event of importance since the denial of the petition by this Court.

No Special or Important Reason for Departing from Established Practice in this Non-Conflict Case.

There is no industry confusion or hardship in the present situation. The only "confusion" asserted is the alleged confusion over the two decisions in the First and Ninth Circuits (*supra*), which offers no basis for certiorari.

The industry is not even faced with an adjudication of validity, and a prospect of preliminary or other injunctions before patent expiration in May, 1950.

The industry is proceeding precisely as it has always proceeded and with no change or risks or confusion calling for special treatment in the present case. As in the past, new unlicensed theaters are being built with full knowledge of the patent, venture capital is being invested and the public served without interruption.

Licensees are now withholding payment but will pay if and when there should ever be a finding of validity resulting from a diversity which the petitioner is entitled to seek (Petition, p. 7). Likewise "the unlicensed part of the industry will abide" by any final determination "and settle (at the established royalty rate)" if the patent is ever finally determined to be valid by this Court (Petition, p. 7).

The assertion of Smith (Appendix, p. 14a) that "upwards of 500 additional suits" for infringement and 100 royalty collection suits will be necessary before another decision can be obtained to prevent the running of the statute of limitations hardly bears analysis, even if pertinent. Petitioner is not out for injunctions, and even if it were, the patent expires in May, 1950, and a decision of this Court would be unlikely before that time even if this petition were granted. The patent statute of limitations for damages is six years (35 U.S.C. 70; R.S. 4921). Therefore, even as to those unlicensed theaters started in 1946 (when building was resumed after the war, *supra*), petitioner has until 1952, and more time as to those built in 1947 and succeeding years. As to licensee suits, withholding of royalties did not come until after the decision below in April, 1949. Therefore there can be no necessity for such suits in any near future.

There is no good reason to anticipate that some one of the many suits now at issue cannot be tried and determined within a reasonable period of time. Meanwhile the industry will proceed without interruption or confusion

or apprehension or hardship. The petitioner is the only person troubled or embarrassed by the present situation. It is seldom in patent situations that an immediate final determination is of less moment or importance than in the present case.

ALLEGED IMPORTANCE OF THE PATENT AND AVOIDANCE OF FURTHER LITIGATION NOT SUFFICIENT IN A NON-CONFLICT CASE.

We come down, therefore, to the usual interest of an industry in a patent, avoidance of further litigation, and the natural desire of petitioner to sidestep the customary necessity of another suit if it wants to try for diversity.

Alleged importance of the patent is an argument that has been unsuccessfully advanced in innumerable petitions. For a notable instance see *Radio Corp. of America* v. *Lord*, 278 U.S. 648.*

Avoidance of further litigation or a multiplicity of suits by an immediate authoritative decision has been unavailing in many cases, and, so far as we can find, this Court has consistently denied such petitions.

This contention was advanced with particular force, but without success, in *City of Milwaukee* v. *Activated Sludge, Inc.*, 293 U.S. 576. The lower court had held valid and infringed important patents relating to methods of sewage disposal. In support of its unsuccessful petition, the city urged that the courts had erred, and that the ruling was of vital public interest and importance, not only to the petitioner but to at least 137 municipalities throughout the

*An apparent exception is *American Fruit Growers, Inc.*, v. *Brogdex Co.*, 283 U.S. 1, where the states of Florida, California, Alabama, Arizona, Georgia, Louisiana and Texas appeared *amici curiae* in support of the petition, as did the United States at the request of the Department of Agriculture.

country, who were using or preparing to use the infringing method. A number of these municipalities filed briefs *amici curiae* in support of the petition (see Robinson & Kirkham, p. 665, note 63).

Conclusion.

The petition should be denied.

There is here no important, new or doubtful question of law or statutory interpretation requiring determination by this Court, as in many tax cases, for instance. There is no conflict of decisions. There is here merely the very common question of fact in patent cases, that is, whether, under all the circumstances, what the patentee did amounted to invention.

The petition advances no special or important reasons for granting this petition and departing from the customary practice of this Court in non-conflict cases.

Respectfully submitted,

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*There is no basis whatever for the implication (App. p. 20b) that respondent's attorney or his firm largely represent the opposition to the patent. We have had no relation or concern with any case listed in Ex. 45 except the *Fabian* cases (in effect one case) and the *Ferguson* case. In the *Paramount* case Mr. Holmes merely executed an affidavit as to the record in the present case, at the request of Paramount's attorney.